

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
KIVA FORUM - CITY HALL
3939 N. DRINKWATER BOULEVARD
SCOTTSDALE, ARIZONA 85251
APRIL 19, 2011
REGULAR MEETING
APPROVED MINUTES**

PRESENT: Kate Birchler, Chairwoman
Mike Surguine, Vice Chairman (arrived at 8:28 a.m.)
Ace Bailey, Commissioner
Kathleen Glenn, Commissioner
Michael Hoffman, Commissioner
David Richard, Commissioner
Leon Young, Commissioner

STAFF: Steve Geiogamah, Tourism Development Coordinator
Mark Hunsberger, Economic Vitality
Bryan Dygert, WestWorld General Manager
Cheryl Sumners, Senior Planner & Neighborhood Resources
Bob Tunis, Economic & Tourism Development Manager
Paul Katsenes, Community and Economic Development
Lee Guillory, Finance Manager

GUESTS: Drew Alcazar
Jim Bruener
Ned O'Hearn
Rachel Sacco, SCVB

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairwoman Birchler called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m.

2. Approval of Minutes

- March 15, 2011 Regular Meeting

COMMISSIONER HOFFMAN MOVED TO APPROVE THE MINUTES OF THE MARCH 15, 2011 REGULAR MEETING. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0). VICE CHAIRMAN SURGUINE WAS NOT YET PRESENT.

3. Manager's Report

a. Staff Bed Tax Collection Report

Mr. Geiogamah reported on bed-tax activity for the month of February. Collections were up 8%. Hotel/motel sales tax revenue was even. Miscellaneous retail sales tax was down 7% due to a refund adjustment. Restaurant tax changes were up 10%. Year to date numbers are up across the board.

Commissioner Richard reported seeing an increase in occupancy, though the average rate is not growing much. Spring training was big this year. Occupancy should continue to increase. Commissioner Hoffman said his incremental revenues have increased tremendously despite reduced inventory. April seems to be shaping up well. Commissioner Young said the average day's spend is coming back into line, and his rate is up. Commissioner Bailey reported an increase in tour inquiries from groups and individuals. Commissioner Glenn said groups are spending more money once on site. Chairwoman Birchler reported that Fashion Square saw good business during spring training. Visitation from Canada and Mexico has been especially strong.

b. Bed Tax Proforma

Mr. Geiogamah reported that \$3.7 million has been collected through the month of February YTD.

c. Smith Travel Report

Mr. Geiogamah stated that the occupancy rate for February was up 2.9% over last year. The ADR was up 6.3% and the RevPar was up 9.4%.

d. Manager's Update

Mr. Tunis said staff is working with the City Attorney's Office on a proposed text amendment to the sign ordinance.

4. Overview of Request for Proposals

Mr. Hunsberger provided an update on RFPs. Three major initiatives are underway at the moment: the Equidome project; a multipurpose center at WestWorld; and proposals located on Bell Road.

The multipurpose center RFP calls for a facility to host primarily non-equestrian events such as trade shows, consumer expos, meetings, and possibly concerts. The Bell Road area RFP is for an 80-acre site, and has generated proposals for three residential developments, one wakeboard park, and one western village. Since these two sites are close together they might synergize well. Staff intends to move forward with recommendations in May/June.

Commissioner Richard inquired about the parties providing input on the design of the multi-purpose facility. Mr. Hunsberger explained that the public has not been brought

formally into the process yet. They have been kept up to date on the milestones, however. Commissioner Richard noted the extensive public outreach effort that was conducted for the Desert Discovery Center Phase II Study. Mr. Hunsberger said the multi-purpose facility does not enjoy the same magnitude of a study, but the RFP does solicit the event center community to determine what kind of facility the market could support.

Chairwoman Birchler inquired about the individuals evaluating the RFPs.

Mr. Hunsberger said the panel has not been determined yet, but similar efforts in the past have included people from Planning, Economic Vitality, and other departments as needed. Chairwoman Birchler suggested someone from the tourism industry sit on the panel.

5. Tony Nelssen Equestrian Center at WestWorld

Mr. Dygert stated that the Equidome is being renamed the Tony Nelssen Equestrian Center. About one third of the WestWorld land is owned by the City and two thirds is owned by the Bureau of Reclamation. WestWorld was privately managed until 1997, when the City bought it. In 1998, the City and the Bureau approved the current operating plan. The most current master plan was approved in 2003. Two major land purchases occurred in 2005, one for an 80-acre parcel on the north side of Bell Road, and another for 52 acres from the State Land Department. A capital expansion project was completed in 2008 for about \$7 million.

WestWorld is a nationally recognized equestrian and special event facility dedicated to providing public recreation and entertainment activities, with an emphasis on equestrian and western-themed events. In FY 2009/2010, WestWorld hosted 68 equestrian events, producing over 261 use days, and attracting over 10,000 horses, and 286,000 people. In addition, 28 special events produced over 253 use days, and 274,000 attendees. At least two events were occurring at the same time on 147 days. It is important to remember that all of this activity occurred during a nine-month time span, since June, July, and August are dormant months.

An economic impact study determined that WestWorld activity generates \$125 million in direct spending, \$182 million in total spending, and the equivalent of 1,270 jobs and \$13.6 million in tax benefits, of which \$2.4 million is direct tax revenue for the City. The equestrian center is a steel open-air building that serves as the primary activity center. The focus of the new project is to enlarge and climate control this space. The need for a permanent special event facility at WestWorld was identified as early as 1985. In 2010, the current users were gathered to discuss the master plan. Essentially the entire user group wanted to explore the idea further.

Mr. Dygert said during months of January, February and March, equestrian and special events overlapped on 14 days. An additional 15 days were made incompatible because events in an open-air buildings are prone to interruption. Ten days during those three busy months were non-productive due to the required staging and removal of temporary infrastructure. Making these periods more productive could translate into a 26% increase in booking activity, and a 16% increase in efficiency. The key component of the plan is to control each component independently. The event world demands flexibility,

and WestWorld can change its look and shape on a daily basis through the use of configuration templates.

The proposed north hall would provide an additional 77,000 square feet at a cost of \$13.9 million. The Equidome renovation would cost \$7 million. The south hall would provide 46,000 square feet at a \$5.7 million cost. The north office is a 3,200 square feet building costing \$500,000. The total expansion would cost \$30,257,000.

Mr. Dygert turned to financing. The Budget Office said the project would have to maintain a 10% contingency, which means \$33 million in financing is required. A 20-year bond life would have a \$2.5 million per year debt service. There are two ways the public sector could finance the general obligation bonds. One is to use municipal bonds funded by a dedicated revenue stream coming from the City's portion of the capital allocations of the bed tax. He emphasized that this is merely a proposal, and nothing has been determined yet.

Mr. Dygert said WestWorld's operating budget versus revenue generated makes it a deficit operation, though the gap is shrinking. Revenues are at \$2.7 million, while the expenses are \$3.1 million. The current fiscal year is expected to return \$2.85 million in revenue. The completed expansion should allow WestWorld to run a balanced operation and take the facility to another level.

In February, WestWorld hired a consultant to poll the equestrian industry to determine what they would or would not do if the expansion were built. California and Colorado are two of the top ten inventory states for horses. Equine shows generate over \$10 billion in direct U.S. economic impact. The American Horse Council estimates that the entire horse industry generates a GDP of \$102 billion. The consultant said existing horse groups are interested in creating up to nine new events not currently on the books at WestWorld, which would yield 53 additional use days, and attract 2,300 horses and 7,000 people. Fourteen national/regional new events would be interested in coming to Scottsdale if the additional infrastructure were available. That would translate into 74 new use days, 9,000 horses and 30,000 people.

Commissioner Richard inquired about the basis for estimating the national/regional spend at \$4,900 per person. Mr. Dygert explained that horse tourists spend more than regular tourists because they tend to stay longer and because of the nature of traveling with horses.

Commissioner Hoffman asked where WestWorld would rank on the national stage if the expansion were to go through. Mr. Dygert explained that in his opinion, WestWorld would be among the very best three or four facilities in the country. There is no formal ranking, but of the 220 facilities in the country, WestWorld is already at the top end. The actual ranking of the top facilities would be subject to opinion, but no other facility would have the amenities, size, and capacity of an expanded WestWorld.

Mr. Dygert stated that Council granted the authority to start on the 30% design. The plan for 2011 is to address the 60% and 90% designs, identify a financing plan, and decide whether to finance the project. If the project is approved, construction could begin in April of 2012. Construction would occur over two years, with the equestrian

center going in and out of service so that production is not lost from October through March. The entire project could be finished by spring of 2014.

Chairwoman Birchler said this project would clearly be very important to the community, but there is a need to consider tourism needs from a broad perspective. The Commission intends to have a work session with City Council to discuss spending priorities. For a project of this magnitude they need to look at all the opportunities. She invited Mr. Dygert to attend the May meeting to answer follow-up questions.

Commissioner Richard questioned whether funding for a special events center and the Equidome should be considered separately. Mr. Dygert said in 2003, the plan was to create one dual-purpose master building, but that proved problematic. The problems are easier to solve if the facilities are kept separate.

Commissioner Richard inquired about other sources of income to fund the expansion, so that the bed tax fund would not be used to fund the entire project. Mr. Dygert responded that he is working on another alternative, and would have more information available soon. Existing users are considering whether to allocate a portion of the money they normally spend on temporary infrastructure to help service the debt. The anticipated surplus in revenue could also be allocated to debt service, and a good portion of the debt service could be repopulated from the new source of occupancy tax. Chairwoman Birchler said a big portion of the May discussion would focus on this subject.

6. Desert Discovery Phase III

Mr. Hunsberger reported that a group of private citizens has formed a committee to look at private funding options for the Desert Discovery Center. An internal staff committee has also been looking into public funding options. The results of these two committees will feed into the main committee, which will be put in charge of formulating recommendations to Council on the business plan, the operating model, and the governance model, based on the Phase II findings. Five areas of required expertise were identified for the committee: fundraising, environmental education, non-profit management, exhibits, and the launching and marketing of facilities. Twelve applications were gathered, and staff put together a recommended list that Council approved on April 5.

Mr. Hunsberger said the pool of applicants was strong. Nancy Dallett from ASU is well known in the field of interpretive exhibits, with a background in history and the environment. Melinda Gulick was part of the Phase II Committee and has been active in the Preserve and the McDowell Sonoran Conservancy. Mike Nolan is the Executive Director of the Conservancy. Ken Travous was the former head of Arizona State Parks and led the agency during the opening of Kartchner Caverns. Patrick Weeks is the Vice President of the Guest Experience at the Arizona Science Center. The first meeting is scheduled for May 11, and the plan is to meet the second Wednesday of every month.

7. Special Event Proposal

Chairwoman Birchler stated that she prepared a memo for City Council regarding special events. The event program has expanded from the MEAF to address legacy status and new event development. The system as it stands today is somewhat broken, and event producers feel Scottsdale has not done a good job streamlining the process and making it simpler for even longstanding events. There is real room for improvement. The SCVB often works with event producers to help ease their burden. Her proposal is that the SCVB spearhead the event process from start to finish, serving as a one-stop shop. Event producers would still work within the City, but the SCVB would help them navigate the process.

She noted that the SCVB is currently operating at maximum capacity, and this new operation would need to be financed. A portion of the event development program money could potentially be allocated for this purpose. The TDC has to consider the process as a whole. Commissioner Glenn agreed that streamlining is necessary. She cautioned against the new entity becoming yet another layer for producers to maneuver through; it should consist of well-qualified people who can genuinely make the process easier.

Commissioner Richard inquired whether the SCVB felt comfortable with taking on such a responsibility. Ms. Sacco said the SCVB is prepared to serve in whatever way is best for Scottsdale tourism. Events are a huge part of what makes Scottsdale successful. The SCVB has a wonderful working relationship with staff and event producers. There is a lot of room for improvement and the SCVB would like to be part of the solution.

Commissioner Bailey said the SCVB has proven that they can pull off major events seamlessly. Commissioner Young said without a streamlined process, it will be much more difficult to retain existing events and attract new ones. Vice Chairman Surguine agreed. One of the brightest stars during the downturn has been special events. Scottsdale needs to aggressively pursue new special events. Chairwoman Birchler agreed that special events helped to keep resorts, retail, and restaurants busy when they were otherwise struggling. This is an opportunity to stay ahead of the competition.

Chairwoman Birchler invited public commentary.

Drew Alcazar, President of Russo and Steele Collector Automobile Auction, said Mr. Dygert has been instrumental in helping his event transfer from the State Land Department. The MEAF program has become very arduous, to the point where some producers have opted to pass on it. He suggested that long-standing events could qualify for an abbreviated renewal process, rather than having to go through the application process every year. He also suggested a standard process for measuring event performance. He would be willing to incur the cost of supporting an economic impact study if it were standardized through a single contractor.

Mr. Katsenes said the SCVB is always ready to play a role in solving these types of problems. The City has to come to grips with the pressure on the bed tax. It will be a challenge to find ways to fund projects out of operations. City staff and the SCVB need to come together to understand the issues and address them. While the TDC is waiting for a response from Council on a work study session, he suggested making a

presentation to the newly revitalized Economic Development Subcommittee of the Council. They had the first meeting last week, and plan to meet every two weeks.

COMMISSIONER GLENN MOVED TO APPROVE SENDING THE MEMO DRAFTED BY CHAIRWOMAN BIRCHLER TO THE CITY COUNCIL FOR THEIR CONSIDERATION. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

8. City Special Event Process

Ms. Sumners stated that she has been assigned to chair the City Special Event Committee, which is comprised of staff members from a variety of departments citywide who meet on a weekly basis. The committee has been improved over the years to become very user friendly and efficient. The process is kept simple. If someone wants to do an event, they submit an application. They are scheduled immediately the following week, and told whether their event is approved or not. The process is informal. The goal is to work through any issues so they can walk out with a permit.

She provided a sample agenda to the TDC. The first part of the meeting addresses level one applicants. The second part focuses on small level 2 events that pose few issues. The last thing the Committee does is review all events that occurred the preceding week to understand what did and did not work well. In 2010 the committee reviewed 220 events, about half of which occur in the downtown area. Not all events go through the Committee, as events at WestWorld, City parks, or the Mall are handled by their staff respectively.

Chairwoman Birchler inquired about tourism representation on the Committee. Ms. Sumners responded that if an event needs a specific specialty, someone from the appropriate department would attend. Chairwoman Birchler noted that Brent DeRaad worked with the Committee during the Fiesta event preparations. Mr. Geiogamah noted that Ruth Johnson of the Downtown Group sits on the Committee.

9. FY11/12 Event Funding Program

Mr. Geiogamah reviewed the proposed changes to the Event Funding Program. Staff met with the SCVB to discuss options related to the program, which were presented to the TDC in March. Option A is a marketing based program similar to the one in place today. Option B is more of an enhanced program that allows funding to provide incremental value to an event. The Subcommittee recommended moving forward with Option A, with consensus on a marketing focused, tier-structured program based on progressively higher performance and benefit levels. This option would require no change to the current program objectives or qualifying criteria.

He presented three proposed program changes. Events that meet the qualifying criteria will be referred to the TDC and evaluated for funding based on tiered criteria. Staff would like to remove the requirement that after five years of consecutive event funding, an event may apply for matching funding up to 25% of their non-local advertising expense. He proposed that the program name change to either the Scottsdale Event

Marketing Fund Program, Scottsdale Tourism Event Funding Program, or the Tourism Funding Program.

Tier 1 programs would include events that feature extensive promotions related to the Scottsdale image on a national and international level. Additional value would be applied to shoulder and off season events. Event stability would also be a criterion. Tier 1 events could receive as much as \$30,000.

Vice Chairman Surguine inquired whether the process to reformulate the program relied on any feedback from event planners. Mr. Geiogamah said staff has had many opportunities to obtain feedback from producers. The cumbersome process has been a consistent theme, but because of the public dollars being used, staff must address a specific audit process.

Mr. Geiogamah said Tier 2 events would receive \$15,000 maximum. Their marketing would be regional in nature, and limited nationally. No international marketing would be involved. Room nights would occur primarily during the event with minimal opportunity for residual room night generation throughout the year. Tier 3 events would have a maximum cap of \$5,000. They have minimal marketing and promotion, but still promote Scottsdale and provide something for visitors and residents to do while here.

Mr. Geiogamah proposed no changes to the budget for the event program; only the allocations would change. The proposed timeline is to make applications available on June 27, with a due date of July 20. Presentations, if necessary, would be on August 16. TDC recommendations would be made on September 20, and Council action would occur in October of 2011.

Chairwoman Birchler said the proposal seems too similar to MEAF, and the criteria remains very subjective. She requested examples of events that would qualify under each tier, and asked where legacy events factored in. Mr. Geiogamah responded that legacy status and longevity are not involved. This program is specifically related to the marketing value of events. Until the legacy issue is resolved staff felt that it would be in the best interest to move forward with a program focused on marketing.

Chairwoman Birchler expressed disappointment with the proposal. She doubted that event producers would find the new process any easier. Mr. Katsenes responded that staff would obtain reactions from the producers and report back in May. Chairwoman Birchler inquired whether there was enough time to wait until May to take action. Mr. Katsenes responded affirmatively. Vice Chairman Surguine felt that change for the sake of change would be counterproductive. If time proves too great a constraint, the best option might be to carry on with the existing MEAF program for another year until the new proposal could be properly vetted.

Commissioner Young inquired about new events in relation to the proposal. Mr. Geiogamah responded that new events could apply for the funding. Chairwoman Birchler requested that this item be tabled for a month, and called for the Event Subcommittee to reconvene to discuss this issue with event producers.

10. SCVB Third Quarter Performance Measures Report

Ms. Sacco reported that the SCVB is on track to meet all 16 performance measures for FY 2010-2012. The tourism industry has begun to recover. Occupancy in Scottsdale and Paradise Valley hotels and resorts has increased about 8%, and a modest increase is projected next year in occupancy, ADR, and RevPar. The City has revised the proforma, increasing the bed tax revenue projection to over \$12 million. Half of those bed tax dollars go to the City to support a variety of tourism-related programs as well as populating the General Fund. The other half of the revenue goes directly to the tourism program.

Convention sales make up about 60% of the SCVB's business in Scottsdale. In the first nine months, all measures in this area are being exceeded. As many as 51% of all leads to the community are brand new. Nearly 40% of all leads are actually booked into Scottsdale properties. The SCVB has exceeded all tourism metrics, enjoying great success in presenting Scottsdale to those who are looking to bundle the area as an experience for their particular guests.

Ms. Sacco stated that the SCVB's budget is beginning to recover, but the State Office of Tourism budget is not. As a result, Scottsdale often finds itself in the position of representing Arizona. That the SCVB has been able to take on these additional costs while still exceeding the metrics is something to be proud of. The Communications team has generated about 900 travel articles this year so far, reaching 1 billion viewers and readers. This has in turn generated \$12 million in equivalent ad value. Scottsdale would not otherwise be able to afford advertisements in many of these publications.

Marketing is off the charts. As the economy improves, there is growing interest and pent up demand for travel, and it shows up in the number of inquiries Scottsdale has seen. This year, 84% of all the people that requested the destination guide converted to being a visitor within one year. Because the Bureau has more money to work with this year, it can generate more impressions and inquiries. She noted that the SCVB took \$800,000 from its private sector reserve fund to impact the program of work.

Ms. Sacco said the SCVB focused efforts on Canada, New York, Chicago, and Minneapolis, layering a comprehensive campaign of outdoor digital boards, TV commercials, print, online, and other media. Fourteen thousand potential visitors from Chicago and New York requested information. The SCVB purchased an overlay with Comcast, so that when viewers see a commercial they can push a button to request a destination guide. This is one way to measure the impact that commercials have. This year has seen a 12% increase in the number of visitors from Chicago who have requested information.

Scottsdale marketed in nearly 900 cities across Canada, generating 65,000 unique website visitors to the SCVB. Of these visitors, 82% were there for the first time. Nearly 13,000 inquiries came in other ways, representing a 13% increase over last year. The recovery bodes well for the tourism industry and Scottsdale.

11. Identification of Future Agenda Items

No items were identified.

12. Public Comment

Jim Bruener said a group of citizens has been working to put together a world class facility for the Scottsdale Museum of the West. The group has been raising money from the private sector to fund continuing operations. The design plan is excellent. The museum would enhance the image of Scottsdale, and support art galleries, and the education community. Two museum sites have been considered, one downtown and one at 94th Street and Bell Road. The group needs help from a capital standpoint. The capital requirements for the museum are relatively small. He requested that \$5 million to \$6 million of the bed tax be used to support the museum, while the rest of the money would be raised from the private sector. Scottsdale has art collectors who are committed to displaying their collections at the museum. The Cowboy Artist Show is leaving the area, and gallery owners are concerned that customers will go someplace else. In order to enhance Scottsdale's western image, it is essential to support the downtown galleries and the museum.

Ned O'Hearn reiterated what Mr. Bruener said. He encouraged the TDC to consider allocating some of its discretionary funds in support of the museum, instead of dedicating almost all of it to one facility. There are many projects that could benefit Scottsdale, and all they need is seed money. Seed money encourages the private sector to step forward to complete projects that provide economic benefits. The Equidome is a great venue, and its expansion will provide a lot of new opportunities, but the idea of repopulating the fund through the benefits that would come from expansion is speculative at best. The museum is ready to go, and just needs seed money.

13. Adjournment

The meeting adjourned at 10:18 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.